

PART I -- MAJOR WORLD PROBLEMS

1. *General.* The balance between the US and USSR in the tangible elements of national power, while continuing to be marked by offsetting asymmetries, is unlikely to change fundamentally. Perceptions of the less tangible aspects of the balance of power -- national attitudes, will, the momentum and direction of international events -- may change importantly in either Moscow or Washington or elsewhere. In a situation of rough equality in intercontinental nuclear forces between the US and USSR, other national assets will gain importance as elements of the "strategic" balance of power.

While the Soviet-American relationship will remain the most important single factor, power will continue to diffuse, both because of the spread and changes in technology and because of the growth of interdependence. Issues not susceptible to conventional methods of diplomacy or force will grow in importance. The spread of nuclear weapons, the existence of the OPEC cartel, and to a lesser extent the growing demand for raw materials have made coercive power available to additional states and non-governmental groups including terrorists. The United States therefore will be faced not only with a persistent threat to its interests from the USSR, but also with turbulence and challenge in its relations with other nations.

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2. *The USSR.* The United States and the Soviet Union will remain principal adversaries during the next five years. Their relationship will probably continue to be marked by an absence of armed conflict and at least public adherence, by both governments, to the desirability of cooperation and the need to avoid a reversion to cold-war relations. Disagreements between the two powers will continue to abound, however, in the application of this approach to specific problems. There is little reason to believe that the USSR will accept and act on Western views about the content of a normal, fruitful relationship.

The Soviet leaders seem convinced that in the overall "correlation of forces," world events are moving over the long run in favor of the USSR. They will attempt to further this movement through a variety of political, economic, and subversive activities, backed with growing military capabilities. In doing so, the Soviets will be cautious, trying to avoid confrontation with the US and foreign policies so assertive as to jeopardize what the Soviets see as favorable trends in US-USSR relations and world affairs generally. They will also favor the use of state power in the economic, diplomatic, and conventional military

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fields over the revolutionary approach which, however, will continue to be utilized in favorable situations. The USSR will seek to keep "detente" as the leading feature of its foreign policy with the US and Western Europe for at least the next five years, largely for pragmatic reasons -- i.e., because they think it offers them more advantages than any other alternative to:

- reduce the risk of nuclear confrontation;
- control local crises which could lead to general war;
- minimize China's chances of developing anti-Soviet combinations with other major powers;
- obtain Western economic and technological assistance;
- promote the disintegration of US-Allied power blocs; and
- play a superpower role with the US with respect to world affairs.

The Soviets are not likely to be substantially restrained by arms control arrangements, although for political imagery they will not only espouse a variety of disarmament proposals, but work to approve some actual, albeit limited, agreements. In the field of strategic

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offensive forces, the modernization program now underway will give the Soviets larger numbers of more accurate missile warheads, improved missile survivability and greater operational flexibility. In their strategic offensive and defensive programs, research and development is aimed at unique applications of existing technologies and applications of advanced technology based on theoretical or technological breakthroughs. Given present and planned US capabilities, we believe that the Soviets could not develop in the next five years a first-strike capability so overwhelming as to prevent substantial retaliation. However, in the conventional field, the Soviets will continue to build and modernize their ground, naval, and air forces for theater warfare along the periphery of the USSR and for distant limited operations. These programs will increase a variety of Soviet capabilities and strain the credibility of Soviet professions of peaceful intent.

The USSR will continue to see China as a major hostile competitor and will expend considerable foreign policy support in a global struggle with the Chinese for

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influence and leverage. At the same time, now that Mao is dead, Moscow will try to influence the Chinese succession, seeking to identify and strengthen any elements in the leadership sympathetic to less hostile, more pragmatic Sino-Soviet relations.

In its economic policy, Moscow will continue to give high priority to the kinds of growth which increase national power and facilitate its projection abroad. A new awareness of the high burden of the Soviet defense effort, however, raises important questions about the relative efficiency of, and structural differences between, the military and civilian sectors of the Soviet economy. A better understanding is needed of the process of West to East technology transfer, particularly the differential ability of these two sectors to absorb and proliferate this technology. Domestically, pressures will grow for modernizing reforms of the Soviet economic system, particularly its administrative structure. As has been the case elsewhere in Eastern Europe (e.g., Czechoslovakia), reforms which seek the managerial benefits of some type of demand system could have implications

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for liberalizing other areas of Soviet life, and will accordingly encounter powerful resistance. Prolonged detente could threaten to erode the pervasive authority of the Communist Party over the Soviet populace. But these are long-standing and chronic problems, and over the next five years the regime is quite capable of resisting unwanted changes in the essentials of the Soviet domestic system.

A key intelligence focus over the next five years will be the Soviet leadership succession, as Brezhnev and the other aging seniors leave the political scene and their replacements consolidate power. Both the new leadership's policy modifications and the relative smoothness or turmoil of the succession process will have implications for bilateral relations with the US and the Soviet stance abroad generally, as well as for domestic Soviet priorities and the Party management of the country. While the odds heavily favor continuity, Soviet politics are so centralized -- and so secretive -- that significant change under a new leadership cannot be wholly excluded.

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3. *The People's Republic of China.* The controversy which has accompanied the death of Chou En-lai, and the purge of Teng Hsiao-ping has demonstrated that the succession will be contested. Mao's death has not altered this. The leadership appears to be split on factional lines. Contentious issues have emerged which are not susceptible to early solutions. An authoritarian communist leadership dedicated to the creation of a great socialist power by the year 2000 is commonly accepted -- disagreements are on means to achieve this and on who will run the party and the state. Internal strength and external security will be China's main preoccupations.

China will continue to develop its strategic forces gradually, though it will present an increasingly serious retaliatory threat to the Soviet Union. In the early 1980s, it should have the capability of striking the United States with an ICBM and possibly an SLBM. China will maintain large general purpose forces capable of operations on its periphery, and the gap between Chinese military might and that of its neighbors (other than the USSR) will probably widen. China will be unlikely to commit its forces, however, in the absence of major provocation or concern, but China will become increasingly

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concerned about achieving a solution to the Taiwan problem. There are pressures in China to get the US to end its military involvement with Taiwan and to establish full relations with Peking within a shorter time frame. At the same time China will seek to combat what it perceives as encirclement by the USSR. As a consequence China will face some hard decisions:

- How to deal with a continuous Soviet threat while also exerting pressure for the neutralization of Taiwan.
- How to reconcile its support for a belligerent North Korea with its desire for stability in North Asia and fruitful relations with Japan and the US.

Internally, China will continue its agriculture-focused economic programs that are essential to keeping food supplies abreast of population. These programs will nevertheless enable industry to expand capacity and output selectively and permit some modernization of the defense establishment. Internationally, China will seek to play a major role with the developing countries. It will participate in aid programs and similar political gestures and will increase its

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influence but will not succeed in establishing substantial authority over developing countries. China may become a significant producer and exporter of oil by 1980 and problems could arise in conflicting off-shore oil claims.

China still has to decide on the role of foreign imports, particularly advanced technology, in its growth process. This has been an historic issue in China now further complicated by ideology and the demands of modern military-industrial complex. China's approach in the past has been erratic and there is evidence that this is one issue which divides the current leadership.

Despite the death of Mao, the prime architect of China's anti-Soviet policy, China will probably not seek a reconciliation with the USSR. The consequences of the present hostility, however, have been so important to Asia and to the US that even a moderate improvement (which is possible) would alter foreign policy calculations in numerous capitals; outright military conflict, a lesser possibility, would be a critical world event. Changes in either direction will almost certainly depend on the policies of new leaderships -- in the USSR and

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[REDACTED] While Eastern Europe will continue to be under Soviet control, economic uncertainties and recurrent pressures for some loosening of ties with Moscow will complicate the picture. Poor in natural resources, the region is faced with a slowdown in economic growth rates which could have repercussions at the political level. The five-year period could see an explosion within some East European country against Soviet dominance, but Moscow would quickly reestablish its hegemony, by force if necessary, whatever the price in terms of other policies. Less spectacularly, individual regimes may find themselves able gradually to expand some areas of autonomy, primarily in domestic policy, while adhering to Soviet guidance in foreign policy and security matters. The passing of Tito could open a period of difficulty and contest over the succession and over the external orientation of Yugoslavia, a period that could be risky should the Soviets try to intervene, either to prevent a westward drift or to pull the country eastward.

6. *The Middle East.* Progress toward a long-term resolution of the Arab-Israeli confrontation seems unlikely to proceed at a pace rapid enough to satisfy

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the aspirations of the Arab side. As a result, regional volatility will remain at a high level and the danger will persist that even a minor incident could result in major military action. On the Israeli side, political cleavages stemming from disagreements on issues such as the necessity for negotiation and the retention of settlements in occupied territories will sharply limit the government's capacity for bold, decisive decision-making on non-military subjects. The Arab world will also continue to be rent by traditional enmities, to be plagued by relentless Palestinian irredentism, and to be split into economically handicapped frontline states and oil producing donor states. Nevertheless, regional tranquility probably cannot be maintained without apparent momentum towards a negotiated peace including achievement of some visible milestones in that process.

Important potential sources of regional instability include the continuance of politico-religious friction in Lebanon, the overthrow of key national leaders -- such as Sadat, Asad, Husayn, the Shah or the Saudi royal

family -- or marked shifts in attitudes toward either or both of the superpowers. If war resumes in the Middle East -- an ever present and largely unpredictable possibility -- Israel would have a decisive military advantage over any combination of Arab forces and could be expected to win the conflict within several weeks time. Soviet reaction to the prospect of yet another humiliating defeat of its Arab clients would likely include the rapid implementation of a massive resupply effort, and possible introduction of token Soviet forces in order to exert further political and psychological leverage. Such actions by the USSR would substantially increase the risks of US-Soviet confrontation in the Middle East. In view of increasing dependency by both the US and its allies on Middle Eastern oil, resumption of fighting or even lesser crises could also again imperil Western economies via the cutoff or curtailment of oil shipments.

Although US ability to influence events in the area has exhibited a generally upward trend, maintenance of this transitory and fragile capability is dependent upon American success in bringing about real, rather than illusory, progress toward a settlement of the Arab-Israeli conflict, while avoiding confrontation with the USSR.

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Although a breakthrough cannot be excluded, there is little in the situation now to suggest that the Korean peninsula five years from now will look markedly different from the way it looks today. Efforts by the Republic of Korea to strengthen its independent military capabilities are likely to be met by equally vigorous North Korean efforts to do the same; despite obstacles that may be put in its way, the nuclear option is likely to look increasingly attractive to the ROK.

9. *Africa.* Southern Africa and the Horn of Africa will be areas of turmoil during the next several years. There will be an increased risk of communist meddling and an increasing likelihood of developments which will threaten US interests and objectives in these areas. In the Horn, there is a serious danger of hostilities between Somalia, which will look to Moscow for support, and Ethiopia, which may turn to the US. In southern Africa, black-white confrontation is likely to increase. Whether by force or by negotiation, Rhodesia and probably Namibia will have black majority governments well before 1983. These governments are likely to be radical in nature, and in Rhodesia, particularly if the blacks gain power by force of arms, the government will probably be

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strongly anti-US. In South Africa, the prospect is for increased strife over the government's apartheid policies, and Pretoria, surrounded by basically hostile neighbors and most likely confronted with increased international opposition to its policies, will become even more isolated. In such a situation, there clearly is a danger that the South Africans might strike out against its neighbors or that they might move to begin a campaign of insurgency against South Africa.

10. *Economics.* The need for worldwide economic intelligence will continue to increase. The past few years of globally shared inflation, recession, supply interruptions and material shortages have underscored the high degree of economic interdependence among countries and its pervasive impact on American interests. To be of value to US policymakers, economic intelligence must provide timely explanations of the meaning and implications of internal and external economic developments in major free world and communist nations. It must also provide an understanding of topical issues, such as the maintenance of world monetary stability, the distribution of income as between rich and poor countries, (the "North-South dialogue") and other regional economic problems,

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the role of multinational corporations in trade, development and technology transfer, and the problem of smoothing the fluctuations of international commodity markets.

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situation continues to pose complex problems, particularly whether or not the OPEC cartel will be willing to provide enough oil to meet the rising demands of consuming countries, and at what price, if, indeed, viability of the cartel itself is not once again called into question.

12. *New Powers and Blocs.* OPEC's disruption of the non-Communist world's energy situation is likely to inspire further attempts at cooperative efforts by small nations to control other important raw materials, such as bauxite and phosphates. Although most of these attempts will fail, efforts to form various types of producer's associations by these developing countries already have had some political effects within many industrial consuming states as well as on international economic and political relationships. Whatever agreements are negotiated between producing and consuming countries concerning the supply and price factors for raw materials, the political and economic effects for the

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international system -- including the connections of the Communist states to that system -- could be significant. Brazil, Venezuela, Nigeria, and Zaire are becoming regional powers and are playing more substantial roles in international forums. Aside from these, several nations whose ties to the US have traditionally been close will display greater independence. This will be particularly prevalent in the economic field but may also affect certain US strategic interests.

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13. *The Developing Countries* will present other major problems to US policymakers. The nature and severity of these problems will hinge in part on foreign, especially developing world, perceptions of America's ability -- and willingness -- to succor its friends, to protect its interests and those of its allies, and, generally, to play an active role in areas beyond its borders. The developing countries will be especially concerned with US willingness to support transformations, in their favor, in the international economic and political system.

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If the developing countries do not consider that the US and other rich industrial states are sufficiently forthcoming in closing the gaps between the developed and less-developed worlds, they will seek outlets for their frustration in assaults on the existing international system. The domination by the developing countries of certain international forums will result in increased confrontation and could eventually incapacitate these forums as useful international organizations for the industrial states. Also, some sufficiently angry developing countries may resort to covert actions in attempts to blackmail selected industrial states through terrorism -- of a conventional or nuclear variety -- or through covertly sponsored "liberation armies."

14. *Social change* will cause turbulence and possibly create power vacuums in a number of areas stemming from increased expectations and a perception of the growing rather than narrowing economic gaps between developing countries (and classes within developing countries) and the more developed industrial world. Areas particularly susceptible to this process will be the Persian Gulf, certain other Arab states such as Morocco, India, and in Latin America, Argentina, Peru, Colombia, and possibly

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even Brazil. Internally this turbulence may be temporarily stilled by some authoritarian governments, particularly those benefiting from increased oil revenues, but they will have difficulties in maintaining themselves over the longer term. Such turbulence will also exist within advanced nations, as economic, racial, ideological, or regional minorities turn to violence and terrorism to press their claims against more and more delicately tuned and interdependent societies.

15. *The acceleration of events* will be characteristic of the years ahead. This will come from improved communications and transportation, sharply reducing the time available to reflect on, negotiate, and resolve international problems. It will also raise many local events to international prominence and inflate national or political pride, posing further handicaps to successful negotiations. There will be a resulting tendency toward breakdowns of overloaded institutions, shorter attention spans for individual situations, and a need for simultaneous perception and management of a multiplicity of international relationships. Such change will occur most conspicuously in the fields of science and technology, but the pace there will have substantial effects on the pace of sociological, industrial, and institutional

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change, with resultant political and economic impacts. Identification and accurate assessments of such changes and their effects will be needed on an increasingly rapid basis.

16. *Interdependence* will be an increasingly important characteristic of the world of the future. Intelligence problems will also be increasingly interdependent, requiring more complex models for analysis to give full weight to the number of disciplines involved. For example, intelligence on the USSR's ability to acquire and absorb Western technology will require a sophisticated interweaving of political, economic, military and psychological analyses.

Interdependence also will reflect greater national dependence on other nations, particularly in the economic sphere. The following key variables will be important to analyze as indicators of future trends: economic growth, population, energy, raw materials and food.

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